

COCHENOUR WILLANS

G O L D M I N E S , L I M I T E D

1 9 7 6

ANNUAL REPORT

COCHENOUR WILLANS GOLD MINES, LIMITED

<i>Directors</i>	J. EDWIN J. FAHLGREN, <i>Cochenour, Ont.</i> ROBERT E. FASKEN, <i>Mississauga, Ont.</i> JOHN B. MCLELLAN, <i>Toronto, Ont.</i> MURDOCH, C. MOSHER, <i>Toronto, Ont.</i> GEORGE T. SMITH, <i>Toronto, Ont.</i> ROBERT M. SMITH, <i>Oakville, Ont.</i>
<i>Officers</i>	J. E. J. FAHLGREN, <i>President</i> G. T. SMITH, <i>Vice-President</i> J. B. MCLELLAN, <i>Secretary</i> B. C. LEMON, <i>Treasurer and Asst. Secretary</i>
<i>General Manager</i>	J. E. J. FAHLGREN, <i>Cochenour, Ont.</i>
<i>Chief Geologist</i>	L. C. CHASTKO, <i>Cochenour, Ont.</i>
<i>General Superintendent</i>	D. H. COCHILL, <i>Cochenour, Ont.</i>
<i>Registrar & Transfer Agents</i>	CANADA PERMANENT TRUST COMPANY 20 Eglinton Avenue West Toronto, Ontario M4R 2E2
<i>Bankers</i>	CANADIAN IMPERIAL BANK OF COMMERCE Toronto and Balmertown, Ontario
<i>Auditors</i>	THORNE RIDDELL & Co. Thunder Bay 'F', Ontario
<i>Solicitors</i>	FRASER & BEATTY P.O. Box 100 First Canadian Place King Street West Toronto, Ontario M5X 1B2
<i>Executive & Mine Office</i>	Cochenour, Ontario POV 1L0

Report of the Directors

To the Shareholders of
Cochenour Willans Gold Mines, Limited

The Board of Directors submits herewith the Annual Report of Cochenour Willans Gold Mines, Limited with the Financial Statements for the year ended December 31, 1976, which include the Balance Sheet, Statement of Income, Statement of Deficit and Statement of Changes in Financial Position.

It is not practical for the Company to proceed with production or further development of its gold property interests at the prevailing gold price levels. Therefore Wilmar Mines Limited had no operations during 1976 and its accounts have not been included in the Financial Statements for the current year. Consistent with accounting practice our investment in Wilmar Mines has been written off, as set out in the Notes to the Financial Statements.

The Company realized a profit during 1976 before extraordinary items and at the end of 1976 the Company had a positive working capital of \$12,855.00 as against a deficit a year previous of \$85,446.00.

The Mining Plant and Mill have been maintained in a good state of repair. The Engineering Offices, Dormitories and Cafeteria are presently being rented in whole or in part to others. Part of the Company's land holdings is being subdivided for housing development.

The Company has not discharged its bank indebtedness in full but it is anticipated that sufficient funds should be obtained from the realization of assets during 1977 to discharge the bank indebtedness.

Since the year end the Company has completed the transaction referred to in the Financial Statements involving shares of Coin Lake Gold Mines Limited whereby it has acquired 2,289,260 shares of Coin Lake Gold Mines Limited in consideration for 654,074 treasury shares of the Company. The Company now holds 2,453,155 of the shares of Coin Lake Gold Mines Limited being 50.2% of its issued shares.

EXPLORATION

Trout Bay Group (Cochenour 80%, Coin 10%, Selco 10%)

The Government is proceeding with a highway into this area from Red Lake that will provide land access to the property. An agreement has been entered into with Selco Mining Corporation Limited, who are proceeding to further explore this group of claims.

Cochenour Explorations Limited

Thirteen claims of the Martin Group were surveyed by an Ontario Land Surveyor and subsequently leased.

East Bay Group — Ground Geophysical survey was completed on this group that indicates anomalous zones requiring investigation by Diamond Drilling from the ice.

Cassummit Lake Project (Cochenour 70%, Coin 30%)

Exploration on this Gold group has been deferred until gold price levels are improved.

Gullrock Project

An agreement has been entered into with Selco Mining Corporation Limited whereby the Corporation will participate with Selco in an exploration programme over an agreed area within the Red Lake Mining District.

Submitted on behalf of the Board,

May 30th, 1977,
COCHENOUR, Ontario.

J. E. J. FAHLGREN,
President.

COCHENOUR WILLANS

(Incorporated under the laws of the Province of Ontario)

Balance Sheet as at

ASSETS

	1976	1975
CURRENT ASSETS		
Cash	\$ 8,106	\$ 465
Bullion in transit	—	124,818
Accounts receivable	54,576	71,490
Marketable securities, at cost less provision for losses of \$21,905 (quoted market value \$45,000; 1975, \$48,125)	48,125	48,125
Materials and supplies, at the lower of cost and replacement cost	120,194	190,591
Prepaid expenses	5,035	—
	<u>236,036</u>	<u>435,489</u>
INVESTMENT IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARY COMPANIES (note 2)	—	—
INVESTMENT IN AND ADVANCE TO AFFILIATED COMPANY, Coin Lake Gold Mines Limited (note 3)		
Shares, at cost less provision for losses of \$11,460; 1975, \$5,723 (quoted market value \$13,111; 1975, \$18,848)	13,111	18,848
Advances	114,525	98,261
	<u>127,636</u>	<u>117,109</u>
OTHER INVESTMENTS		
Shares in other mining companies, at cost less provision for loss on investment of \$13,690; 1975, \$6,660 (quoted market value \$1,530; 1975, \$8,560)	1,530	8,560
FIXED ASSETS (note 4)	289,090	457,896
MINING CLAIMS AND LICENSES, at cost	248,465	795,956
DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES, less amortization	—	2,628,690
	<u>\$ 902,757</u>	<u>\$4,443,700</u>

AUDITOR'S

To the Shareholders of
Cochenour Willans Gold Mines, Limited

We have examined the balance sheet of Cochenour Willans Gold Mines, Limited as at December 31, 1976 and the statements of income, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Thunder Bay, Ontario,
April 7, 1977.

GOLD MINES, LIMITED

(Incorporated in the Province of Ontario)

December 31, 1976

LIABILITIES

CURRENT LIABILITIES	1976	1975
Bank advances, partially secured by assignment of accounts receivable and by marketable securities	\$ 165,000	\$ 356,896
Accounts payable and accrued liabilities	58,181	164,474
Advances from minority shareholder	—	421,658
	<u>223,181</u>	<u>943,028</u>
INTEREST OF MINORITY SHAREHOLDERS IN SUBSIDIARY COMPANY	—	444,349

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)		
Authorized		
7,000,000 Shares without par value		
Issued		
4,515,356 Shares	3,796,086	3,796,086
DEFICIT	3,221,134	943,629
	<u>574,952</u>	<u>2,852,457</u>
EXCESS OF APPRAISED VALUE OF FIXED ASSETS OVER DEPRECIATED BOOK VALUE	104,624	203,866
	<u>679,576</u>	<u>3,056,323</u>
	<u>\$ 902,757</u>	<u>\$4,443,700</u>
CONTINGENT LIABILITY (note 6)		
SUBSEQUENT EVENT (note 7)		

Approved by the Board:

J. E. J. FAHLGREN, Director.

J. B. McLELLAN, Director.

REPORT

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change in accounting practice explained in note 1(a) to the financial statements, on a basis consistent with that of the preceding year.

THORNE RIDDELL & CO.,
Chartered Accountants.

COCHENOUR WILLANS GOLD MINES, LIMITED

Statement of Income

Year Ended December 31, 1976

REVENUE	1976	1975
Real estate income	\$ 328,777	\$ 63,410
Interest and dividends	6,250	11,912
Miscellaneous	9,537	13,934
	<u>344,564</u>	<u>89,256</u>
EXPENSES		
Mine and real estate	88,175	45,352
Administration	75,088	49,553
Directors' fees	7,200	6,450
Depreciation	39,739	55,108
Municipal taxes	16,320	12,893
Insurance	18,861	13,584
Exploration and prospecting, net of grants received (note 6)	23,011	62,634
	<u>268,394</u>	<u>245,574</u>
INCOME (LOSS) BEFORE THE UNDERNOTED	<u>76,170</u>	<u>(156,318)</u>
Add:		
Gain on sale of machinery and equipment	26,359	—
	<u>102,529</u>	<u>(156,318)</u>
Deduct:		
Provision for loss on investment in marketable securities	—	12,530
Provision for loss on investment in and advances to unconsolidated subsidiary companies	3,036,628	2,193
Provision for loss on investment in affiliated company	—	5,723
Provision for loss on other investments	7,030	6,660
	<u>3,043,658</u>	<u>27,106</u>
Loss	<u>\$2,941,129</u>	<u>\$1,183,424</u>
LOSS PER SHARE	65¢	4¢

COCHENOUR WILLANS GOLD MINES, LIMITED

Statement of Deficit Year Ended December 31, 1976

	1976	1975
DEFICIT AT BEGINNING OF YEAR	\$ 943,629	\$ 872,589
Elimination of share of deficit of subsidiary company (note 1(a))	657,609	—
	<u>286,020</u>	<u>872,589</u>
Excess of appraised value of fixed assets over depreciated book value, transferred on disposal of fixed assets	—	104,884
Amortization of excess of appraised value of fixed assets over depreciated book value	6,015	7,500
	<u>6,015</u>	<u>112,384</u>
	280,005	760,205
Loss	2,941,129	183,424
DEFICIT AT END OF YEAR	<u>\$3,221,134</u>	<u>\$ 943,629</u>

Statement of Changes in Financial Position Year Ended December 31, 1976

	1976	1975
WORKING CAPITAL DERIVED FROM		
Proceeds from sale of fixed assets	\$ 367,115	\$ 143,350
WORKING CAPITAL APPLIED TO		
Operations		
Loss	2,941,129	183,424
Items not involving working capital		
Depreciation	39,739	55,108
Provision for loss on investment in and advances to unconsolidated subsidiary companies	3,036,628	2,193
Provision for loss on investment in affiliated company	—	5,723
Provision for loss on other investments	7,030	6,660
Gain on sales of real estate	(306,992)	(40,169)
Gain on sale of machinery and equipment	(26,359)	—
	<u>2,750,046</u>	<u>29,515</u>
	191,083	153,909
Exploration and development expenditures, less depreciation of fixed assets and loss on disposals capitalized	—	871,638
Additions to fixed assets	—	22,364
Increase in investment in and advances to unconsolidated subsidiary companies	77,731	2,193
Increase in advances to affiliated company	—	18,487
	<u>268,814</u>	<u>1,068,591</u>
INCREASE (DECREASE) IN WORKING CAPITAL POSITION	98,301	(925,241)
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR	(507,539)	417,702
Elimination of share of working capital of subsidiary company (note 1(a))	422,093	—
	<u>(85,446)</u>	<u>417,702</u>
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	<u>\$ 12,855</u>	<u>\$ (507,539)</u>

COCHENOUR WILLANS GOLD MINES, LIMITED

Notes to Financial Statements

Year Ended December 31, 1976

1. ACCOUNTING POLICIES

(a) Reclassification of comparative figures

In 1975 consolidated financial statements of the company and its subsidiaries, Wilmar Mines Limited and Cochenour Realty Limited were presented to the shareholders. Wilmar Mines Limited has now ceased operations and its accounts have not been included in the financial statements for the current year.

By agreement dated December 10, 1975, the company acquired all of the understaking and assets of Cochenour Realty Limited for the sum of \$1 upon agreeing to assume and discharge all of the liabilities of the subsidiary, incidental to the intention to wind-up the subsidiary under the provisions of The Business Corporations Act, Ontario.

Certain of the comparative figures have been reclassified to conform with the presentation adopted for 1976.

(b) Investment in and advances to subsidiary companies

All of the subsidiaries are now inactive and are considered immaterial and their accounts have not been consolidated in these financial statements.

(c) Fixed assets

The townsite buildings were appraised at market value on December 31, 1969 by O'Brien Agency Limited. These assets are reflected in the accounts at appraised value less accumulated depreciation. The unamortized increase in value resulting from the appraisal in 1969 is reflected in shareholders' equity as "Excess of appraised value of fixed assets over depreciated book value".

All other fixed assets are recorded at cost.

The company records depreciation on its operating assets on a diminishing balance basis at annual rates of 15%. It records depreciation on residential dwellings on a straight line basis at an annual rate of 5%. The excess of appraised value of buildings over depreciated book value is being amortized on a straight line basis at an annual rate of 5%.

(d) Recovery of costs

The recovery of the costs of mining claims and licences and the realization of investment in and advances to subsidiary companies engaged in exploration and development of mining properties is dependent upon the companies obtaining adequate financing and developing sufficient quantities of ore of economic value.

The recovery of the costs of inventories of materials and supplies is dependent upon the market for the sale of such inventories.

2. INVESTMENT IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARY COMPANIES

Details of investment in and advances to unconsolidated subsidiary companies are as follows:

	1976	1975
WILMAR MINES LIMITED		
Shares, at cost	\$1,992,909	
Advances	1,024,461	
Less provision for loss on investment	(3,017,370)	
	<u>\$ —</u>	
ANCO MINES LIMITED		
Shares, at cost	\$ 479,998	\$ 479,998
Advances	197,432	196,590
Less provision for loss on investment	(677,430)	(676,588)
	<u>\$ —</u>	<u>\$ —</u>

COCHENOUR WILLANS GOLD MINES, LIMITED

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended December 31, 1976

2. INVESTMENT IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARY COMPANIES (continued)

COCHENOUR EXPLORATIONS LIMITED	1976	1975
Shares, at cost	\$ 121,439	\$ 121,439
Advances	154,395	143,713
Less provision for loss on investment	(275,834)	(265,152)
	<u>\$ —</u>	<u>\$ —</u>
CONSOLIDATED MARCUS GOLD MINES LIMITED		
Shares, at cost	\$ 86,240	\$ 86,240
Advances	49,305	47,308
Less provision for loss on investment	(135,545)	(133,548)
	<u>\$ —</u>	<u>\$ —</u>
WILMAR MINES LIMITED		

Under the terms of agreements dated January 8, 1974 and January 24, 1975, the company and Martin-McNeely Mines Limited agreed to advance funds up to \$1,200,000 in the aggregate, in the ratio of 65:35, to finance exploration and development of Wilmar Mines Limited. Advances so made may be converted for shares in the capital stock of Wilmar Mines Limited at the rate of 1 share for each dollar so advanced.

Advances to December 31, 1976 were as follows:

	Requirement	Advanced
Cochenour Willans Gold Mines, Limited	\$ 780,000	\$1,024,461
Martin-McNeely Mines Limited	420,000	424,330
	<u>\$1,200,000</u>	<u>\$1,448,791</u>

At December 31, 1976, the company owned 2,684,331 shares of Wilmar Mines Limited, representing 65.2% of the issued capital stock.

ANNCO MINES LIMITED

At December 31, 1976, the company owned 1,600,000 shares of Annco Mines Limited, representing 55% of the issued capital stock.

COCHENOUR EXPLORATIONS LIMITED

Under the terms of an agreement dated January 21, 1966, Cochenour Explorations Limited may request advances from its shareholders to a maximum of \$250,000, in proportion to their shareholdings, should the board of directors of Cochenour Explorations Limited determine that the exploration properties warrant the expenditure of additional funds. Default on such requests can result in the forfeiture of a pro rata portion of the shareholders' shares in the company to the other shareholders.

At December 31, 1976, Cochenour Willans Gold Mines, Limited was committed to a maximum advance of \$127,500 based on present shareholdings, of which \$126,186 has been requested to date. The company has made advances to December 31, 1976 totalling \$154,395 of which \$28,209 has been advanced in anticipation of taking over the shares of delinquent shareholders who have failed to pay their proportionate share of expenditures incurred pursuant to this agreement.

At December 31, 1976, the company owned 255,000 shares of Cochenour Explorations Limited, representing 51% of the issued capital stock and was anticipating the acquisition of a further 11.4% of the issued capital stock.

CONSOLIDATED MARCUS GOLD MINES LIMITED

At December 31, 1976, the company owned 1,780,700 free shares of Consolidated Marcus Gold Mines Limited representing 57.4% of the issued capital stock. A further 249,995 shares are held in escrow to be released if and when the company has caused Consolidated Marcus Gold Mines Limited to bring its mining claims into production.

COCHENOUR WILLANS GOLD MINES, LIMITED

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended December 31, 1976

3. INVESTMENT IN AND ADVANCES TO AFFILIATED COMPANY

COIN LAKE GOLD MINES LIMITED

At December 31, 1976, the company owned 163,895 shares of Coin Lake Gold Mines Limited which cost \$24,571. At December 31, 1976, these shares had a quoted market value of \$13,111. The company has entered into an agreement to acquire a further 2,289,260 shares (note 5). Upon completion of this transaction the company will own 2,453,155 shares of Coin Lake Gold Mines Limited, representing 50.2% of the issued capital stock.

4. FIXED ASSETS

	1976	1975
Land	\$ 1	\$ 1
Buildings		
Townsite	280,645	449,113
Other	489,566	489,566
	770,211	938,679
Less accumulated depreciation	566,562	583,113
	203,649	355,566
Machinery and equipment	1,721,772	1,773,483
Less accumulated depreciation	1,636,332	1,671,154
	85,440	102,329
	<u>\$ 289,090</u>	<u>\$ 457,896</u>

5. CAPITAL STOCK

At December 31, 1976, an option was outstanding for the purchase of 15,000 shares of the capital stock of the company at \$1 per share. This option expires December 31, 1977. There are a further 85,000 shares set aside for the granting of options in the future.

The company has entered into an agreement to issue 654,074 shares of its capital stock at a value of 24¢ for each share to be issued in exchange for 2,289,260 shares of the capital stock of Coin Lake Gold Mines Limited.

6. CONTINGENT LIABILITY

Under the terms of certain agreements, the Ministry of Natural Resources, Ontario, has agreed to reimburse a portion of certain expenses incurred for the exploration of minerals. Should the exploratory work result in the discovery and development of a commercially feasible mineral deposit, amounts so advanced by the Ministry become repayable without interest. Advances to December 31, 1976, total \$97,019; 1975, \$130,352. Advances to Wilmar Mines Limited have been excluded from the 1976 figures.

7. SUBSEQUENT EVENT

The company is disposing of its plant assets.

8. OTHER STATUTORY INFORMATION

Remuneration of directors and senior officers as defined by The Business Corporation Act amounted to \$75,517; 1975, \$122,077.

